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PETROEUROS: A THREAT TO U.S. INTERESTS IN THE GULF?

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“We do not rule out the possibility of pricing our crude-oil exports in euros. That would be interesting for our European partners.”

– Vladimir Putin, president of Russia

“A switch to euros for oil trading will not happen in my lifetime. Governments can make any statements they want, but that’s commerce.”

– Bruce Misamore, chief financial officer, Yukos

Almost 70 percent of the world’s international currency reserves – the money that nations use to finance international trade and protect themselves against financial speculators – takes the form of U.S. dollars. The dollar is used for this purpose because it is relatively stable. It is produced by a nation with a major share of world trade and financial assets, and certain commodities, in particular oil, are denominated in it. The net result is a large diversified demand for dollars.¹

Still, the use of the U.S. dollar as an international currency has been declining gradually for over 30 years. In the past several years, this reduction in the share of dollar reserves has accelerated with the decline in the value of the dollar and the rise of the euro as a legitimate contender for reserve-currency status. Traditionally, speculation over movements in the dollar’s value has focused on technical issues

surrounding such aspects of the economy as the sustainable size of the country’s current-account deficit and the relative attractiveness of U.S. financial markets.² While these factors are still argued at length in the financial press, the scope of the debate has broadened to include general aspects of policy such as the U.S. unilateral approach to foreign affairs, and decisions concerning the war on terrorism and the war in Iraq.³

In fact, many websites⁴ are currently peddling the theory that the United States invaded Iraq because in 2000 Saddam Hussein had switched from dollars to the euro as the medium of exchange for purchasing Iraqi oil. The invasion was largely undertaken to discourage OPEC members and other oil-exporting countries from following suit. While many of these sites vary in detail, the logic of their arguments is broadly similar:

1. The United States has a great economic interest in maintaining the existing dollar-based system – petrodollars eventually end up in the hands of foreign companies and governments, which, in turn look for a safe place to invest them.

2. There is a natural inclination to shift the dollars back to the United States, thereby avoiding any currency risk.

3. Back in the United States, the dollars flow into assets such as U.S. bonds, keeping interest rates low, or into equities, creating stock-market appreciation.

4. In both cases, the United States benefits from greater availability of investment capital, which is subsequently used to fuel growth in a non-inflationary environment.

5. The great demand for the dollar (aided by the fact that oil is paid for in dollars) helps maintain its strength in international currency markets despite the rapid outflow from the United States driven by massive current-account deficits.

6. Most important, the strong dollar lessens the real costs borne by the United States in Iraq. Specifically, because countries have to hold a large number of dollars in reserve to pay for their oil, the United States can in effect exchange the paper it prints for real goods and services, many of which ultimately wind up in places like Iraq or Afghanistan. The same arguments were made by the French during the time of the Vietnam War.

Put differently, proponents of this view contend the dollar-priced oil system creates a virtuous cycle for the United States, making the country's massive trade deficit tolerable and its foreign military operations financially bearable. In effect, the existing dollar/oil system allows the U.S. government to run up a massive deficit without

raising interest rates as foreign dollars are used to purchase U.S. government debt. The economy thrives because the U.S. private sector is not crowded out of the financial markets. The net result is to allow strong levels of consumption and investment despite extraordinarily low rates of savings. Meanwhile, the United States can pursue overseas military operations without being encumbered by the resource constraints facing all other countries. The United States can have both guns and butter. It follows that breaking the dollar/oil link would drastically reduce the role of the U.S. dollar as an international reserve currency, and thus the military/economic power of the United States.

Clearly Europe would like to create its own virtuous cycle with the euro linked to oil and international hard-currency reserves flowing back into Europe as investment. In addition to reducing the commercial and military power of the United States,⁵ many Europeans see the displacement of the dollar by the euro as the international reserve currency ushering in a new era, similar to that associated with the displacement of the pound sterling by the U.S. dollar following World War II. No doubt the EU welcomed President Putin's statement (October 9, 2003) that Russia was considering pricing its crude in euros (petroeuros) rather than dollars.

Following up on these themes, the sections below assess the likelihood of a shift towards petroeuros. What factors might result in such a new oil-pricing arrangement? What might be the possible effect on the United States? Would it be as great as many of the theorists seem to suggest?

ADVANTAGES OF A RESERVE CURRENCY

There are several clear advantages for the United States in having the dollar as an international reserve currency:⁶

Convenience for residents. It is clearly more convenient for the country's importers and exporters, borrowers and lenders to be able to deal in their own currency than in foreign currencies. The global use of the dollar, as with the global use of the English language, provides American business with a great advantage over foreign counterparts.

Increased business for the country's banks and other financial institutions. As a result of America's international status, U.S. banks have a comparative advantage in dealing with dollars. Only U.S. banks have access to the safety net provided by U.S. regulatory authorities. These would include such privileges as the ability to discount assets with the Federal Reserve.

Seignorage. This is perhaps the most important advantage of having other countries hold one's currency. These countries must give up real goods and services or ownership of the real capital stock in order to add to the currency balances that they use. It should be noted, however, that these financial gains are not as large as many believe. Currently for the United States they are estimated at around 0.5 percent of Gross Domestic Product (GDP).⁷

There is another (smaller) component of seignorage in addition to the currency component. Most foreign central banks and other investors hold their dollars in the form of interest-paying Treasury bills. To the extent that the reserve currency role of the dollar allows the U.S. Treasury to pay a

lower interest rate on its liabilities than most other borrowers, the difference is a further source of seignorage.

Political power and prestige

The benefits of power and prestige are decidedly nebulous. Nevertheless, the loss of key currency status and the loss of international creditor status have sometimes been associated, along with such non-economic factors as the loss of colonies and military power, in discussions of the historical decline of great powers. Here causality may well flow from key currency status to power and prestige and in the opposite direction as well.⁸

On a broader scale, Niall Ferguson⁹ notes that one pillar of American dominance can be found in the way successive U.S. governments have sought to take advantage of the dollar's role as a key currency. Quoting several noted authorities in his book, he writes that

[the role of the dollar] enabled the United States to be "far less restrained . . . than all other states by normal fiscal and foreign-exchange constraints when it came to funding whatever foreign or strategic policies it decided to implement." As Robert Gilpin notes, quoting Charles de Gaulle, such policies led to a "hegemony of the dollar" that gave the U.S. "extravagant privileges." In David Calleo's words, the U.S. government had access to a "gold mine of paper" and could therefore collect a subsidy from foreigners in the form of seignorage (the profits that flow to those who mint or print a depreciating currency).

The web contains many more radical interactions on the dollar's role. Usually something along the following lines:

World trade is now a game in which the U.S. produces dollars and the rest of the world produces things that dollars can buy. The world's interlinked economies no longer trade to capture a comparative advantage; they compete in exports to capture needed dollars to service dollar-denominated foreign debts and to accumulate dollar reserves to sustain the exchange value of their domestic currencies This phenomenon is known as dollar hegemony, which is created by the geopolitically constructed peculiarity that critical commodities, most notably oil, are denominated in dollars. Everyone accepts dollars because dollars can buy oil. The recycling of petro-dollars is the price the U.S. has extracted from oil-producing countries for U.S. tolerance of the oil-exporting cartel since 1973.¹⁰

America's coercive power in the world is based as much on the dollar's status as the global reserve currency as on U.S. military muscle. Everyone needs oil, and to pay for it, they must have dollars. To secure dollars, they must sell their goods to the United States, under terms acceptable to the people who rule America. The dollar is way overpriced, but it's the only world currency. Under the current dollars-only arrangement, U.S. money is in effect backed by the oil reserves of every other nation.¹¹

While it is tempting to simply dismiss passages of this sort as uninformed rants, they do contain some elements of truth. As noted above, there are tangible benefits that accrue to the country whose currency is a reserve currency. The real question is, if this situation is so intolerable and unfair, why haven't all of the other countries in the

world ganged up on the United States and changed the system? Why haven't countries like Libya and Iran required something like euros or gold dinars in payment for oil? After all, with the collapse of the Bretton Woods system in 1971, the IMF's SDRs (unit of account) was certainly an available alternative to the dollar.¹²

It should also be noted that having the dollar as a international reserve currency is not without its costs to the United States. Chief among them is the possibility of larger fluctuations in the demand for the dollar and hence in its movements vis-à-vis other currencies. In the past, the German and Japanese governments have been reluctant to let their currencies play larger international roles. They have been particularly worried about the possibility that a sudden increase in demand for marks or yen on the part of foreign residents would cause their currencies to appreciate and thereby make their exports less competitive.

PETROEURO SCENARIOS

While from time to time the U.S. dollar may have become "overvalued" as a result of its international reserve status (thereby pricing U.S. manufacturers out of foreign markets), most objective observers would no doubt conclude that the benefits of the currency's special role in the international system clearly outweigh the costs. As noted, this fact has lent a certain degree of credibility to the quotes in the previous section and to the notion that Iraq's pricing of oil in euros was a factor in the Iraq War. Building on this foundation, a number of commentators have speculated about the likelihood and consequences of other oil-producing countries or even OPEC as a whole also shifting to euro pricing.

One of the best articulations of this

scenario – the war with Iraq was not so much over oil as it was over the pricing of oil in euros by Saddam Hussein – has been developed by W. Clark:¹³

1. The Federal Reserve's greatest nightmare is that OPEC will switch its international transactions from a dollar standard to a euro standard. Iraq actually made this switch in November 2000 (when the euro was worth around 82 cents), and has actually made out like a bandit, considering the dollar's steady depreciation against the euro (the dollar declined 17 percent against the euro in 2002).

2. The real reason the Bush administration wants a puppet government in Iraq – or, more important, the reason the corporate-military-industrial network conglomerate wants a puppet government in Iraq – is so that it will revert back to a dollar standard and stay that way (while also hoping to veto any wider OPEC momentum towards the euro, especially from Iran, the second-largest OPEC producer, which is actively discussing a switch to euros for its oil exports).

3. The effect of an OPEC switch to the euro would be that oil-consuming nations would have to flush dollars out of their (central bank) reserve funds and replace them with euros. The dollar would crash anywhere from 20-40 percent in value, with consequences predictable from any currency collapse and massive inflation (like Argentina's currency crisis, for example). You'd have foreign funds stream out of the U.S. stock markets and dollar-denominated assets; there'd be a run on the banks much like the 1930s; the current-account deficit would become unserviceable; the budget deficit would go into default and so on.

Hazel Henderson goes pretty much down the same road as Clark, but broadens her analysis by looking at OPEC's decision to price in euros not so much as a pure political one (as in the case of Iraq) but driven more by concern over the long-term decline in the value of the dollar:¹⁴

1. U.S. global overreach in the "war on terrorism" already leading to deficits as far as the eye can see – combined with historically-high U.S. trade deficits – leads to a further run on the dollar. This and the stock-market doldrums make the United States less attractive to the world's capital.

2. More developing countries follow the lead of Venezuela and China in diversifying their currency reserves, balancing dollars with euros. Such a shift in dollar-euro holdings in Latin America and Asia could keep the dollar and euro close to parity.

3. OPEC could act on some of its internal discussions and decide (after concerted buying of euros in the open market) to announce at a future meeting in Vienna that OPEC's oil will be re-denominated in euros or even a new oil-backed currency of their own. A U.S. attack on Iraq sends oil to 40 (euros) per barrel.

4. The Bush administration's efforts to control the domestic political agenda backfires. Damage over the intelligence failures prior to 9/11 and warnings of imminent new terrorist attacks precipitate a further stock-market slide.

5. All efforts by Democrats and 57 percent of the U.S. public to shift energy policy toward renewables, efficiency, standards, higher gas taxes, etc., are blocked by the Bush administration and its fossil-fuel-industry supporters. Thus, the United States remains vulnerable to

energy-supply and price shocks.

6. The EU recognizes its own economic and political power as the euro rises further and becomes the world's other reserve currency. The G-8 pegs the euro and dollar into a trading band, removing these two powerful currencies from speculators' trading screens (a win for everyone). Tony Blair persuades Brits of this larger reason for the UK to join the euro.

7. Developing countries lacking dollars or "hard" currencies follow Venezuela's lead and begin bartering their undervalued commodities directly with each other in computerized swaps and countertrade deals. President Chavez has inked 13 such country barter deals on its oil, e.g., with Cuba in exchange for Cuban paramedics, who are setting up clinics in rural Venezuelan villages.

While Clark's and Henderson's scenarios are plausible and no doubt contain many valid facts, they appear to include more wishful thinking than assessments based on the hard economic reality of today's oil and foreign-exchange markets. For one thing, Iraq's decision was based purely on political, not economic, considerations. The United Nations estimated that the initial shift to euro pricing in 2000 by Iraq cost the country at least \$270 million.¹⁵ While one can argue that this sum was more than recouped a few years later with the rise of the euro, at the time of the shift the prospects for euro appreciation were bleak. No doubt, while euro pricing might be politically attractive to other producing countries such as Iran and Libya, the fact that they have not done so suggests that even with the recent strengthening of the euro, significant economic costs are still involved. Javad

Jarjani, head of OPEC's petroleum-market analysis department, has developed a much more realistic scenario taking these costs into account

In his scenario, Jarjani identifies a set of conditions under which the OPEC countries might be inclined to shift to pricing in euros. Given his influential position in OPEC, this scenario carries considerable weight. In this regard, Jarjani feels that the critical developments bearing on OPEC's future pricing decisions will center around ten major developments:¹⁶

1. In the longer term, the euro will be more on a par with the U.S. dollar. This is especially the case with regard to economic size, especially given the EU's enlargement plans. Most important, he feels that the euro zone will have a bigger share of global trade than the United States, and while the United States tends to run a large current-account deficit, the euro area has a more balanced, external-accounts position, thus increasing the attractiveness of the euro.

2. One of the more compelling arguments for keeping oil pricing and payments in dollars has been the fact that the United States remains a large importer of oil, despite being a substantial crude producer itself. On the other hand, the euro zone, especially in light of enlargement, imports even more oil and petroleum products than the United States.

3. The trading of oil in dollars has served the interests of the United States, giving it an immediate advantage over other countries because it carries no currency-exchange risk. For most other oil consumers around the world, the pricing and payment of crude in dollars increases the risk for these countries because of

currency fluctuations. When the dollar rises against other currencies, the price of oil is more expensive for the rest of the world, thus potentially increasing inflation in these countries.

4. Oil producers and big crude consumers, and importers from non-dollar areas like the EU, have common interests. These include not only the stability of oil prices and a reduction in price volatility, but also stable currencies. In other words, they would like to minimize oil-price risk and currency risk.

5. It is clear that Europe would prefer to see payments for oil shift from the dollar to the euro. This would effectively remove their currency risk. It would also increase the demand for the euro and thus strengthen its value in international currency markets.

6. Because oil is such an important commodity in global trade, if the pricing of oil were to shift to the euro, it could advance the global acceptability of the single currency.

7. There are also very strong trade links between the OPEC countries and the euro zone, with more than 45 percent of total merchandise imports of OPEC countries coming from the countries of the euro zone, while OPEC's members are the main suppliers of oil and crude-oil products to Europe.

8. Of major importance to the ultimate success of the euro will be the currency position taken by England and Norway. Not only are they the region's two major oil producers; more important, they are situated in the North Sea, which is home to the international crude-oil benchmark, Brent. Their actions could very likely create momentum to shift the oil-pricing system to euros.

9. However, from today's perspective, even after the UK joins the single currency, there would seem to be little incentive for London's International Petroleum Exchange (IPE), where Brent is traded, to switch its Brent crude-oil and gas contracts to euros, since both are traded internationally, and the dollar is at the center of a complex global oil-trading and hedging system.

10. It is more likely that the IPE will consider changing its natural-gas and power contracts to euros. With respect to petroleum products, it appears that here the euro may make some inroads. Within the euro zone, petroleum products are now sold to the final consumer in euros. At present, the only spot market that has adopted the euro is the Hamburg barge market (that market previously used deutschmarks).

To Jarjani and presumably OPEC, the implications for the organization's pricing are clear: Because crude-oil contracts are currently traded in dollars, and the prices of OPEC crudes are determined by using complex formulas derived from marker crudes such as Brent and West Texas Intermediate (WTI) on the New York Mercantile Exchange (NYMEX), there is not much the organization can do unilaterally until, and unless, there is a switch of denomination in these markets.

Seen in this light, shifts in oil pricing are much more difficult than implied in Clark and Henderson's scenarios. In short, OPEC has no direct control over the quotations of these marker crudes, whereas, in the past (until the mid-1980s), the organization did set the official selling prices. Specifically in 1983, the oil-futures market was established in the New York

commodity market. By 1986, a market-oriented pricing system had been introduced for oil transactions. As can be seen in the table below, the system of pricing crude oil for long-term fixed transactions between governments (controlled by OPEC), was changed where the price was determined by the movement of spot pricing of crude-oil market markers such as WTI and Brent. These market developments occurred as a result of the weakening of OPEC by the operation of non-OPEC regions like the North Sea.

Given the realities in the two key crude markets, the NYMEX and the Brent, it is apparent that OPEC cannot just unilaterally

decide to price oil in euros. Ultimately, much will depend on the actions of several key countries such as England and Norway, non-OPEC countries. Both England and Norway are a long way from adopting the euro. More important, the Brent and NYMEX markets are not likely to adopt the euro as a basis of trade until the vast majority of participants, both buyers and sellers, are convinced it is in their best interest to do so. At the present time, there is no evidence that this is the case. In fact, to date no one in the vast network of the global oil trade has asked for or offered oil contracts in anything but dollars.¹⁷

Changes in the System to Determine Crude-oil Pricing

| Pricing Eras | Price Determiner | Price Determination Method | Transaction Price |
|------------------------------|------------------|---|---|
| Fixed-pricing Method (→1986) | OPEC | Government Sales Price | Long-term fixed pricing |
| Market-based Method (1987→) | Market | Market-based Method $P_x = P_m \pm a$ <i>P_x = crude export price</i> <i>P_m = spot price for marker crude</i> <i>a = adjustment factor</i> | Price of long-term contract shifts according to the spot price of market crude oils and the spot transaction price is also determined |

Source: Yuji Nakamura, *The Historical Flow of Black Gold: Two Approaches to Energy Security* (London: Institute for International Policy Studies, January 2002), p. 8.

RUSSIA AND THE PETROEURO

The current discussion surrounding the Russian government's interest in pricing the country's oil exports in euros provides a good illustration of the issues involved in creating a petroeuro. As noted above, the debate over euro oil pricing was set off in mid-October 2003, when Russian President Vladimir Putin indicated that Russia was

considering pricing its crude exports in euros rather than dollars. One has to appreciate his frustration during the current period of dollar weakness. The dollar's 8-percent drop against the euro in August and September 2003 translates roughly into an 8-percent revenue loss for Russia. More important, the country is concerned over the dollar's 35-percent drop against

the euro since January 2003.

At first sight, a shift in the pricing of Russian oil to the euro makes a certain amount of sense. The euro zone is the largest oil importer in the world, and a full 45 percent of Middle Eastern oil goes to Europe. Moreover, after falling steadily from its January 1999 flotation, the euro has managed a strong rebound in the past two years, regaining its losses. This has made it possible to argue that the euro is a world-class currency able to hold its value.

Yet several days after President Putin floated the idea of euro-priced oil, Prime Minister Mikhail Kasyanov said his government would not take any decisions on transferring oil settlements into euros. "This topic cannot even be discussed. There can be no administrative decisions here. The market decides . . . oil is a commodity that is traded for dollars, and if it's sold for dollars, it means that suits the buyers and sellers."¹⁸ By the end of October 2003, the Putin idea appeared dead in the water.

CONSIDERATIONS AFFECTING THE USE OF A PETROEURO

While one can only guess the complex reasons for Russia's apparent decision not to move ahead with the petroeuro, there are several likely reasons. For producers like Russia, the potential use of a petroeuro comes down to two primary considerations: a bet on long-term reliability of the euro versus the dollar, together with a geopolitical decision by each country as to its relationship with the United States and with Europe. For buyers of oil, the long-term reliability of the euro is of prime concern, as is shorter-run currency risk.

Short-Run Factors

Although many politicians might want to see oil traded in euros, it probably will not happen in the foreseeable future for several very good reasons. The first is simple convenience. As alluded to in the table, oil prices are determined by a complex interaction of spot, term and futures trading in different qualities of crude, based on benchmarks like North Sea Brent and West Texas Intermediate (NYMEX), both priced in dollars. If a euro price were introduced for one or more of the benchmarks, price-setting would become even more complex and add currency risk.

This would burden buyers and sellers alike. It would make the real price of oil less transparent, require continuous updating to minimize currency arbitrage, and could make the market less liquid as available capital was split between two currencies. In addition, payment systems would need to be overhauled. These aren't insurmountable problems, if there were good economic reasons to go ahead with parallel pricing systems. But currencies fluctuate regularly. If the impetus for change now is the weak dollar, that benefit disappears as soon as the dollar rises again.¹⁹

Any globally traded commodity, whether it is oil or tea, is traded in one currency for transparency, cost and risk reasons, and that is not about to change because of political considerations. Global commodities have a self-correcting mechanism to adjust for the strength or weakness of the benchmark currency. One of the reasons for the high oil price today is the weaker purchasing power of the dollar.²⁰

Medium-Term Factors

For the medium to longer term, buyer and seller concern would center mainly on the dollar/euro rate. Will the euro retain the strength it has gained over the last several years? Will the dollar continue to decline vis-à-vis the euro? While forecasting currency movements is one of the most difficult areas in economics, several factors indicate that the euro is unlikely to make significant gains against the dollar for some time, certainly past the early part of 2004. More likely, it will have difficulty maintaining its newfound strength. There are several reasons for this.

1. Economic models developed at Morgan Stanley²¹ suggest that by late 2003, the U.S. dollar was only 5-10 percent overvalued – not the 30-40-percent range that one might guess would be associated with a current-account deficit of 6 percent of GDP.

2. Most of the appreciation of the euro during 2002-03 was by default, not merit. Improved growth prospects for the United States in 2003-04 eliminate the scope for further appreciation²² associated with the slowdown in the U.S. economy and added current-account deficit caused by 9/11 and the war in Iraq.

3. In any case, the rest of the world is too weak economically at the present time to absorb a large U.S. correction. Which economy in the world can, now or even over the next few years, withstand a 30-percent appreciation of its currency? The Japanese have been desperately trying to devalue the yen.

4. In the case of the euro, Morgan Stanley's economic models²³ show that the GDP of the euroland economies would decline 1 percent for each 10-percent rise

in the value of the euro. The reduction in incomes would be immediate.

5. The economies of the EU should be growing at a slower pace than the U.S. economy over the next several years. The U.S. economy appears to be able to sustain much higher rates of productivity increase in the present global environment.

6. Euroland policy makers, even without an explicit euro policy, have behaved as if they had a strong euro policy. Euroland does not have a single body that is in charge of currency policy. The sharing of responsibility between finance ministries and the European Central Bank is not well-defined, legally speaking. The lack of centralized responsibility for euro policy has created a free-for-all in which virtually any European policy maker could voice an opinion on the euro. This confusion between economics, market psychology and politics has been very counterproductive. The rise in the euro in 2002 was largely responsible for the region's mini-recession.²⁴ In short, the organization of decision making in Euroland places the euro at a disadvantage vis-à-vis the other major currencies.

These observations on the dollar and the euro are not highly guarded secrets. Nor are they extreme views. They are readily accessible to Russian policy makers or anyone else. They are widely accepted by traders in the various currency and oil markets. Even if one conceded that the Euro would continue strengthening for another one or two quarters, there is no evidence the currency will be able to make significant inroads into the dollar-dominated markets or international reserve holdings. There would certainly be little cause to justify tinkering with the various links in the

world oil-market chain. There are plenty of cheap ways for traders to hedge against currency risk if they are concerned over movements in the dollar.

CONCLUSIONS

Several general propositions emerge as to the likely introduction of a petroeuro and its connection to the U.S. motivation for the Iraq War:

1. For a number of technical reasons, OPEC is unlikely to bring about or even try to shift markets to euro-priced oil. There would be costs and inefficiencies involved, with no real benefits gained. The same applies to the buyers of oil.

2. There is good reason to believe that the euro's current appreciation vis-à-vis the dollar will not be sustained. The currency will have a hard time maintaining its current parity with the dollar. For one thing, the euro's current strong value is taking a toll on euroland economic performance.

3. Even if the euro were to maintain its parity with the dollar, this would not in and of itself cause the dollar to cease to be the international reserve currency. A system of

two international reserve currencies is more unstable²⁵ than one dominated by a single currency. Markets will move toward stability and a currency with a historical track record.

4. The fate of the dollar and hence its use as an international reserve currency is determined more by the U.S. budget and trade deficits and low savings than by any actions the EU or OPEC could undertake with regard to oil pricing.

5. Even though the United States may derive some economic benefit from having its currency serve as the dominant international reserve currency, the gains are not nearly as great as is often assumed -- around 0.5 percent of GDP at best, much of which is offset by lost manufacturing exports and jobs associated with the strong dollar.

6. It follows that the notion the United States undertook the Iraq War over its concern with the consequences of Saddam Hussein's denominating Iraq's oil sales in euros (and the direction that might lead other producing countries) is little more than another web-based conspiracy theory.

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